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Zimbabwe

Tobacco and Products

Annual

2005

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Report Highlights:

After years of decline, Zimbabwe's tobacco crop is showing signs of recovery with 2005 production expected to reach 85,000 tons. This is in comparison to the record 245,000 tons produced in 2000. The recovery is mainly due to an increase in contract growing (where the buyer supplies the inputs) to about 35% of production. Small-scale growers are also playing a bigger role, affecting quality; about 50% of crop is expected to be of the lower grade this year.

Includes PSD Changes: Yes

Includes Trade Matrix: Yes

Annual Report

Pretoria [SF1]

[RH]

SUMMARY

After four years of decline, Zimbabwe's unmanufactured tobacco production is poised for recovery. Tobacco production is estimated to increase to 85,300 MT in 2005, a 23% increase from last year's 69,518 MT. This increase is attributed to the area under flue-cured tobacco that rose from 47,000 hectares in 2003/2004 to 55,000 hectares in the 2004/2005 season. Burley production declined to about 300 MT from 504 MT in 2004. About 97 to 98% of Zimbabwe's tobacco is exported and exports will exceed 80,000 MT this year. Tobacco is one of Zimbabwe's largest export earners.

Irrigated tobacco, whose average yields are about 3 MT/ha, decreased significantly from 40,000 hectares during the peak 2000 season, to about 7,500 hectares in 2004/2005. Reduced utilization of irrigation facilities and the slow rehabilitation of irrigation facilities where these existed were the reasons for this sharp decline as some of the equipment and expertise were lost in the agrarian reform program.

A wide spectrum of factors including late planting, disease, insufficient top-dressing fertilizer, effects of a prolonged dry spell and late disbursement of inputs for tobacco production, reduced reaping and curing capacity resulted in lower yield and a lower tobacco crop output than anticipated.

The summer rainfall of 2004/2005 started late in December, as a result most of the rain-fed tobacco crop experienced an unusually long dry spell. After good rains in December up to mid-January, a hot dry-spell that extended into most of March was experienced in most parts of Zimbabwe.

Currently, there are more than 30,000 farmers producing tobacco in Zimbabwe, the bulk of them being small-scale farmers. About 1,000 large-scale tobacco farmers who include newly resettled farmers produced 53,000 MT of tobacco in 2004. However, the increase in the number of small-scale producers has seen a significant increase in the portion of unflavored styles estimated to be at least 50% of the crop.

Flue-cured production for 2005 is estimated at 85,000 MT, up from 69,000 MT in 2004. The average price paid to producers in 2004 was US\$2.02/kg.

Outlook 2005/06; the emphasis is to continue with the increase in production and improvement in crop quality. However, issues of viability, financing and funding, infrastructure rehabilitation, extension, training and clarity on the land tenure need to be addressed.

Unmanufactured tobacco

Country	Zimbabwe						
Commodity	Tobacco		Total				
Ha.	2003	Revised	2004	Estimate	2005	Forecast	
MT	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]	
Market Year Begin	01/2003		01/2004		01/2005		
Area Planted	52604	56643	33300	48043	0	55428	
Beginning Stocks	129300	129300	96101	84992	83852	74147	
Farm Sales Weight Prod	84022	81931	60750	70022	0	85300	
Dry Weight Production	72264	72919	52348	62320	0	75917	
U.S. Leaf Imports	0	0	0	0	0	0	
Other Foreign Imports	40	11880	35	21999	0	22000	
TOTAL Imports	40	11880	35	21999	0	22000	
TOTAL SUPPLY	201604	214099	148484	169311	83852	172064	
Exports	101836	101837	61500	69966	0	80500	
Dom. Leaf Consumption	3627	4100	3097	4100	0	4100	
U.S. Leaf Dom. Consum.	0	0	0	0	0	0	
Other Foreign Consump.	40	23170	35	21098	0	22000	
TOTAL Dom. Consumption	3667	27270	3132	25198	0	26100	
TOTAL Disappearance	105503	129107	64632	95164	0	106600	
Ending Stocks	96101	84992	83852	74147	0	65464	
TOTAL DISTRIBUTION	201604	214099	148484	169311	0	172064	

Production

The marketing year used throughout this report is the year in which the crop is sold. For example, MY 2005 refer to the crop planted in 2004 and sold during 2005.

	Area	Ha.	Production	MT
	2003	2004	2003	2004
Flue-cured	54,000	47,400	81,712	69,518
Burley	2,643	643	219	504
TOTAL	56,643	48,043	81,931	70,022

Unmanufactured tobacco production for 2005 is estimated at 85,300 MT, a 22% increase from the 70,022 MT produced in 2004. This is against a target total of 160,000 MT. A total of 55,428 hectares were put under tobacco during the 2004/2005 season. The average yield was 1.55 MT/ha compared to 1.46 MT/ha for the 2003/04 crop.

Consumption

With more than 97% of the total tobacco crop exported, domestic consumption has little or no influence on production. It will be noted that the consumption figure in the PS&D table is inflated by the imports. The bulk of the imports are raw products sent to Zimbabwe for processing, as there is excess capacity in Zimbabwe after the domestic crop decreased over the past few years. Some of the imports are used in blends and the manufacture of cigarettes. Unfortunately the bulk of the data used

in the report originates from the Zimbabwe Tobacco Association who basically only look at the domestic crop and its distribution. As a result the imports do not figure in the data and is added to the consumption figures until we can ascertain what is happening to it.

Trade

Exports are the main activity. The only imports of tobacco are for blending and processing.

Exports

The 2004 exports of both flue-cured and burley tobacco earned the country US\$226 million, a marked decrease from US\$318 million earned in 2003. Tobacco was exported to various destinations in the European Union, Asia and the Middle East. Zimbabwean tobacco remains popular because of its special blending quality.

Exports

Country	Zimbabwe		
Commodity	Tobacco, Total		
Time Period	Jan-Dec	Units:	MT
Exports for:	2003		2004
U.S.	1308	U.S.	831
Others		Others	
UK	20796	UK	11043
Germany	11326	Germany	6005
France	3555	Rest of EU	10890
Denmark	2981	Far East	20784
Netherlands	2700	Rest of Europe	10816
Rest of EU	8061	Africa	6097
Rest of Europe	9896	Middle East	1871
Far East	19724		
Africa	11356		
Oceania	3079		
Total for Others	93474		67506
Others not Listed	5762		624
Grand Total	100544		68961

Import Trade Matrix

Country	Zimbabwe		
Commodity	Tobacco		
Time Period	CY	Units:	MT
Imports for:	2003		2004
U.S.	0	U.S.	0
Others		Others	
		South Africa	5577
		Mozambique	9744
		Malawi	1141
		Indonesia	2423
		China	993
		India	961
		Zambia	152
		Madagascar	29
Total for Others	0		21020
Others not Listed			979
Grand Total	0		21999

Marketing

Government does not control tobacco marketing. The Tobacco Industry Marketing Board (TIMB), which ensures orderly exchange of tobacco between growers and buyers, controls all tobacco sales in Zimbabwe. Starting in 2004, there was a dual marketing system for tobacco. Tobacco is sold either over a licensed auction floor or at approved contractors' warehouse under the supervision of the TIMB. About 65% of the 2005 crop will be sold by auction while the other 35% will be sold directly to licensed contractors.

In January 2005, tobacco growers were classified as exporters. This implies that tobacco growers now get 100% of their sale proceeds valued at the ruling exchange rate. Further, those tobacco growers wishing to retain foreign exchange for importation of inputs are now entitled to a 15% retention threshold under a scheme administered by the Reserve Bank of Zimbabwe. As an additional incentive, the farmers would get a support price of Z\$2000, up from Z\$750 last season, for each kilogram sold.

Flue-cured tobacco

Country	Zimbabwe					
	Tobacco, Flue Cured					
Commodity	2003	Revised	2004	Estimate	2005	Forecast
	USDA [Old]	Post[New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin	01/2003		01/2004		01/2005	
Area Planted	0	54000		47400	0	55000
Beginning Stocks	0	126575	0	83465	0	72374
Farm Sales Weight Prod	0	81712	0	69518	0	85000
Dry Weight Production	0	72724	0	61871	0	75650
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	0	9880	0	19097	0	20000
TOTAL Imports	0	9880	0	19097	0	20000
TOTAL SUPPLY	0	209179	0	164433	0	168024
Exports	0	100544	0	68961	0	80000
Dom. Leaf Consumption	0	4000	0	4000	0	4000
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	21170	0	19098	0	20000
TOTAL Dom. Consumption	0	25170	0	23098	0	24000
TOTAL Disappearance	0	125714	0	92059	0	104000
Ending Stocks	0	83465	0	72374	0	64024
TOTAL DISTRIBUTION	0	209179	0	164433	0	168024

Production

Flue-cured production increased by 23% in 2005 from 69,500 MT in 2004 to an estimated 85,000 MT. The area under production increased from 47,400 hectares in 2003/04 to 55,000 in 2004/05. Only 7,500 hectares of irrigated tobacco were grown. The irrigated crop is planted in September. The bulk of the crop was grown under dry land conditions. Dry land tobacco is planted from October onwards depending on the onset of the rains.

The rainy season started late, with the result that most of the tobacco crop was planted in November and December. The long mid-season drought experienced from mid-January to end of March also negatively affected crop yields to an estimated 1.55 MT/ha compared to a potential of 2 MT/ha. However, the 2005 average yield was an improvement from the 2004 average of 1.46 MT/ha. Yield of the irrigated crop can exceed 3 MT/ha while the yield of the main dry land crop will vary between 2 to 2.5 MT/ha for large-scale producers. Meanwhile small-scale farmer yields range between 0.3 to 2 MT/ha.

Consumption

Domestic consumption of tobacco is very low and has little or no influence on tobacco production trends. Zimbabwe exports about 97% of its tobacco.

TradeExport Trade
Matrix

Country	Zimbabwe		
Commodity	Flue Cured Tobacco		
Time Period	CY	Units:	MT
Exports for:	2003		2004
U.S.	1308	U.S.	831
Others	Others		
UK	20796	UK	11043
Germany	11326	Germany	6005
France	3555	Rest of EU	10890
Denmark	2981	Far East	20784
Netherlands	2700	Rest of Europe	10816
Rest of EU	8061	Africa	6097
Rest of Europe	9896	Middle East	1871
Far East	19724		
Africa	11356		
Oceania	3079		
Total for Others	93474		67506
Others not Listed	5762		624
Grand Total	100544		68961

Export prices follow:

Country	Zimbabwe		
Commodity	Flue Cured Tobacco		
Prices in	US\$	per uom	Kg.
Year	2003	2004	% Change
Jan			3.39
Feb			3.87
Mar			3.23
Apr			2.66
May			2.22
Jun			2.26
Jul			2.73
Aug			3.03
Sep			2.73
Oct			3.58
Nov			3.58
Dec			3.41
Exchange Rate	3645	Local Currency/US \$	
Date of Quote	12/31/2004	MM/DD/YYYY	

Import Trade Matrix

Country	Zimbabwe		
Commodity	Flue Cured Tobacco		
Time Period	<input type="text" value="CY"/>	Units:	<input type="text" value="MT"/>
Imports for:	<input type="text" value="2003"/>		<input type="text" value="2004"/>
U.S.		U.S.	<input type="text" value="0"/>
Others		Others	
		South Africa	<input type="text" value="5577"/>
		Mozambique	<input type="text" value="7359"/>
		Malawi	<input type="text" value="752"/>
		Indonesia	<input type="text" value="2423"/>
		China	<input type="text" value="993"/>
		India	<input type="text" value="961"/>
		Zambia	<input type="text" value="152"/>
Total for Others	<input type="text" value="0"/>		<input type="text" value="18217"/>
Others not Listed	<input type="text" value=""/>		<input type="text" value="880"/>
Grand Total	<input type="text" value="0"/>		<input type="text" value="19097"/>

Burley tobacco

Country	Zimbabwe						
Commodity	Tobacco, Burley						
Hectares	2003	Revised	2004	Estimate	2005	Forecast	
MT	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]	
Market Year Begin	01/2003		01/2004		01/2005		
Area Planted	0	2643	0	643	0	428	
Beginning Stocks	0	2725	0	1527	0	1773	
Farm Sales Weight Prod	0	219	0	504	0	300	
Dry Weight Production	0	195	0	449	0	267	
U.S. Leaf Imports	0	0	0	0	0	0	
Other Foreign Imports	0	2000	0	2902	0	2000	
TOTAL Imports	0	2000	0	2902	0	2000	
TOTAL SUPPLY	0	4920	0	4878	0	4040	
Exports	0	1293	0	1005	0	500	
Dom. Leaf Consumption	0	100	0	100	0	100	
U.S. Leaf Dom. Consum.	0	0	0	0	0	0	
Other Foreign Consump.	0	2000	0	2000	0	2000	
TOTAL Dom. Consumption	0	2100	0	2100	0	2100	
TOTAL Disappearance	0	3393	0	3105	0	2600	
Ending Stocks	0	1527	0	1773	0	1440	
TOTAL DISTRIBUTION	0	4920	0	4878	0	4040	

Production

Burley tobacco is now almost entirely grown by small-scale farmers. The crop is mainly grown in the drier parts of the country. Burley production has declined significantly in the last two years, poor prices making the crop unviable.

Trade

In 2004, 1,005 MT of burley were exported mainly to Europe.

Export Trade
Matrix

Country	Zimbabwe		
Commodity	Tobacco, Burley		
Time Period	CY	Units:	MT
Exports for:	2003		2004
U.S.	126	U.S.	264
Others		Others	
Italy	94	Russia	203
Greece	91	Turkey	119
France	91	Poland	113
Germany	79	EU	79
Rest of Europe	320	Rest of Europe	70
Africa	361	Far East	39
Total for Others	1036		623
Others not Listed	131		118
Grand Total	1293		1005

Import Trade
Matrix

Country	Zimbabwe		
Commodity	Tobacco, Burley		
Time Period	CY	Units:	MT
Imports for:	2003		2004
U.S.	0	U.S.	0
Others		Others	
		Malawi	389
		Mozambique	2385
		Madagascar	29
Total for Others	0		2803
Others not Listed			99
Grand Total	0		2902

Prices Table

Country Zimbabwe

Commodity Tobacco, Burley

Prices in US\$ per uom

KG

Year	2003	2004	% Change
Jan			3.25
Feb			3.24
Mar			1.38
Apr			2.34
May			1.38
Jun			1.56
Jul			1.58
Aug			3.04
Sep			2.75
Oct			2.63
Nov			n.a.
Dec			3.18

Exchange Rate 3060 Local Currency/US \$

Date of Quote 12/31/2004 MM/DD/YYYY